PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN

ESTATES AND TRUSTS UNDER ADMINISTRATION

FINANCIAL STATEMENTS

For the Year Ended March 31, 2006

Provincial Auditor Saskatchewan

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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the estates and trusts under administration of the Public Guardian and Trustee of Saskatchewan as at March 31, 2006 and the statements of common fund earnings and undistributed earnings and changes in trust funds for the year then ended. The Public Guardian and Trustee's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the estates and trusts under administration of the Public Guardian and Trustee as at March 31, 2006 and the results of operations and the changes in trust funds for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 7, 2006

Fred Wendel, CMA, CA
Provincial Auditor

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
BALANCE SHEET
MARCH 31, **STATEMENT 1**

(in 000's)

	2006	2005
ASSETS		
Cash and Due from General Revenue Fund (Note 5)	$ 2,438	$ 4,079
Interest and Dividends Receivable	747	807
Common Fund Securities (Schedule 1 & Note 4)	123,926	113,904
Individual Trust Assets (Schedule 2)	22,443	20,364
TOTAL ASSETS	$ 149,554	$ 139,154
LIABILITES		
Accounts Payable (Note 7)	$ 2,490	$ 2,720
Mortgages and Loans Payable	474	498
	2,964	3,218
Trust Equity		
Trust Equity	129,789	124,628
Undistributed Earnings (Statement 2)	16,801	11,308
	146,590	135,936
TOTAL LIABILITIES AND TRUST EQUITY	$ 149,554	$ 139,154

(See Accompanying Notes to the Financial Statements)

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
STATEMENT OF COMMON FUND EARNINGS AND UNDISTRIBUTED EARNINGS
MARCH 31, **STATEMENT 2**

(in 000's)

	2006	2005
REVENUE		
Interest and Dividends	$ 3,986	$ 3,903
Common Fund Realized Gains, Losses and Market Value Appreciation (Note 3 (ii))	8,547	3,992
	12,533	7,895
Less: Management Fees	(265)	(243)
Earnings Available for Distribution	**12,268**	**7,652**
Distributed Earnings (Note 3 (iii))		
Interest and Dividends	(3,691)	(3,699)
Realized and Unrealized Capital Gains	(3,084)	(2,196)
Undistributed Earnings Previous Year	11,308	9,551
UNDISTRIBUTED EARNINGS, END OF YEAR	$ 16,801	$ 11,308

(See Accompanying Notes to the Financial Statements)

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
STATEMENT OF CHANGES IN TRUST FUNDS
MARCH 31, **STATEMENT 3**

(in 000's)

	2006	2005
Increase in Trust Funds		
Trust Funds Acquired		
Cash	$ 3,418	$ 2,378
Common Fund Earnings Available for Distribution	12,268	7,652
Other Amounts Received on Behalf of Clients	28,821	24,798
Total Increase in Trust Funds	44,507	34,828
Decrease in Trust Funds		
Trust Funds Released		
Cash	16,213	16,815
Payments Made on Behalf of Clients	17,210	17,597
Administration Fees (Note 6)	2,509	2,299
Total Decrease in Trust Funds	35,932	36,711
Net Change in Individual Non-cash Assets	2,079	1,298
Increase/(Decrease) in Trust Funds	10,654	(585)
Balance, Beginning of Year	135,936	136,521
TRUST FUNDS, END OF YEAR	$ 146,590	$ 135,936

(See Accompanying Notes to the Financial Statements)

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

1. Authority and Purpose

Effective April 1, 1984 the Office of the Public Guardian and Trustee of Saskatchewan was established pursuant to *The Public Trustee Act* and continued under *The Public Guardian and Trustee Act*. *The Public Trustee Act* was repealed and *The Public Guardian and Trustee Act* was proclaimed effective May 17, 2002.

Section 3(1) of *The Public Guardian and Trustee Act* states:

> 3(1) The Public Trustee is continued as a corporation sole under the name of the Public Guardian and Trustee of Saskatchewan.

Section 3(3) of *The Public Guardian and Trustee Act* states:

> 3(3) The public guardian and trustee is the successor in office to:
>
> (a) the Official Guardian appointed pursuant to *The Infants Act*; and
> (b) the Administrator of Estates appointed pursuant to *The Administration of Estates of Mentally Disordered Persons Act*.

Effective November 12, 1992, the Public Trustee became the official administrator for each judicial centre pursuant to *The Queen's Bench Act*. (Now *The Administration of Estates Act*)

Effective August 13, 2002, the Public Guardian and Trustee became responsible for holding property for persons whose whereabouts are unknown.

The mandate of the Public Guardian and Trustee is to protect vulnerable persons. The primary functions of the Office are:

(a) administering the property and finances of adults who are mentally incompetent;
(b) protecting property rights of children under the age of eighteen;
(c) administering the affairs of deceased persons; and
(d) holding property for persons whose whereabouts are unknown.

(a) **Commodities** are stated at market value, which is determined annually with reference to the estimated final delivery price for the particular commodity.

(b) **Real estate,** including real estate holdings for infants where the Public Guardian and Trustee is appointed property guardian, are initially recorded at appraised value at the date the Public Guardian and Trustee assumes control of the asset or at cost if the real estate is purchased on behalf of clients by the Public Guardian and Trustee. Real estate values are adjusted to appraised values annually. If no valuation information is available, these assets are recorded at a nominal value of $1.

(c) **Miscellaneous Personal Property** is stated at amounts determined from information available to the Public Guardian and Trustee at the date the Public Guardian and Trustee assumes control of the assets. Subsequent adjustments are made if additional valuation information is received. If no valuation is available, these assets are recorded at a nominal value of $1.

(d) **Life Insurance Policies** that carry a cash surrender value are stated at the cash surrender value as determined with reference to the most recent valuation information available prior to March 31. Policies that do not carry a cash surrender value are stated at a nominal value of $1.

(e) **Pension Plans and Annuity Contracts** are stated at residual value as determined with reference to the most recent evaluation information available prior to March 31 of each year. Pension plans and annuity contracts with no residual value are stated at a nominal value of $1.

4. Common Fund Securities

The Public Guardian and Trustee Act provides as follows:

47(1) The Public Guardian and Trustee shall:

(a) place money received by the Public Guardian and Trustee pursuant to this Act, any other Act or court order in a common fund; and

(b) subject to the approval of the Investment Board, invest in the name of the Public Guardian and Trustee that part of the common fund that in the Public Guardian and Trustee's opinion is not immediately required for persons for whom the Public Guardian and Trustee holds funds.

Common Fund Securities are invested through a single "common" fund to ensure consistency of return among clients. The investment objectives of the common fund

are to achieve at least market returns with prudent risk diversification, with the potential for enhanced returns through active investment management for a majority of the portfolio. The Public Guardian and Trustee recognizes that there are diverse time horizons for its clients and that capital preservation is of primary concern. The employed investment objectives include a multiple asset, total return approach which values all types of investment income equally, a moderate income requirement to supplement other liquidity sources, a requirement for stability and maximization of return, and a degree of inflation protection and capital appreciation.

The Public Guardian and Trustee recognizes that, by their nature, investments carry with them certain risks. The investment policy employed by the Public Guardian and Trustee is designed to mitigate these risks as much as possible by placing restrictions on the overall content and quality of the permitted investments. The following describes the risks associated with the investment portfolio, managed through an investment manager, by the Public Guardian and Trustee.

Price Risk

Price risk refers to the potential that the value of investments will fluctuate as a result of foreign currency, interest rate and general market changes.

The value of the common fund investments will fluctuate with changes in foreign currency, interest rate and general market changes. To mitigate these risks the Public Guardian and Trustee works with an investment manager that actively manages asset class allocations through a balanced fund approach. The employed investment policy limits foreign currency exposure by permitting a maximum of 40% foreign investment with a stated benchmark of 26% foreign investment. The policy also limits market risk by permitting a maximum of 50% equity investment, including foreign equities with a benchmark of 40% equity investment. The Public Guardian and Trustee manages interest rate risk by limiting the quantity and quality of interest rate sensitive investments to a maximum of 100% of the portfolio with a benchmark of 57% fixed income securities. Market risk is managed by taking a conservative prudent approach to investment.

Credit and Liquidity Risk

Credit and liquidity risk arises from the potential for an investee to fail or for an issuer to default on its obligations to the common fund. The Public Guardian and Trustee

mitigates this risk by limiting the quantity and quality of the permitted investments to high quality, highly rated equity investments and highly rated fixed income securities.

5. Due from the General Revenue Fund

The Public Guardian and Trustee's operating bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. Interest earned on the balance attributed to the public guardian and trustee is calculated and paid quarterly into the Public Guardian and Trustee's operating account using the Government's thirty day borrowing rate and the Public Guardian and Trustee's average daily bank account balance. The Government's average thirty day borrowing rate for the year-ended March 31, 2006 is 2.82% (For the year-ended 2005 it was 2.19%).

6. Administration Fees

Pursuant to the provisions of *The Public Guardian and Trustee Regulations*, the Public Guardian and Trustee may charge a fee for services performed in the management of client accounts. Such fees charged are payable to the General Revenue Fund of the Province of Saskatchewan.

7. Accounts Payable

Accounts payable represent encumbrances of client assets that are payable to independent third parties. These client obligations are settled, as client resources become available. In some cases, a client's liabilities exceed the stated value of their assets. These items are included as accounts payable and are paid, as the resources of the client become available to do so.

Accounts payable consist of the following balances:

	(in 000's) 2006	2005
Accounts Payable to Third Parties	$ 1,739	$ 1,566
Administration Fees Payable to the Public Guardian and Trustee	751	1,154
	$ 2,490	$ 2,720

8. Common Fund Earnings Distributions

In April 2006, the Public Guardian and Trustee distributed interest, dividends and capital gains (losses) for the quarter ended March 31, 2006, in the amounts as follows (in 000's): interest $734 (2005 - $706), dividends $68 (2005 - $58), foreign dividends $58 (2005 - $62) and capital gain (loss) $938 (2005 –$577).

9. Related Party Transactions

Victim's Fund

The Public Guardian and Trustee holds and invests funds for the Victim's Fund established pursuant to *The Victims of Crime Act, 1995*. Earnings are allocated pursuant to sections 5, 6 and 7 of *The Public Guardian and Trustee Regulations*, but no administration fee pursuant to those regulations is charged.

The trust equity held on behalf of the Victim's Fund, the amount due to the Victim's Fund, and the Common Fund earnings distributed to the Victim's Fund is as follows:

(in 000's)

	2006	2005
Trust Equity at March 31	$ 482	$ 745
Common Fund earnings distributed During the year	37	60
Common Fund earnings to be Distributed in April	8	10

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
SCHEDULE OF COMMON FUND SECURITIES
FOR THE PERIOD ENDED MARCH 31, **SCHEDULE 1**

(in 000's)

	2006		2005	
		% of Portfolio		% of Portfolio
Bonds and Debentures				
Government of Canada	$ 34,787	28%	$ 34,017	30%
Province of Saskatchewan	1,357	1%	1,339	1%
Other Provinces	16,240	13%	15,025	13%
Corporations	14,138	11%	13,513	12%
Total Bonds and Debentures*	66,522		63,894	
EAFE Pooled Equity Fund	17,709	14%	13,478	12%
Other Equities				
Canadian	17,273	14%	17,304	15%
Foreign	17,742	15%	16,583	15%
Short Term Investments*	4,680	4%	2,645	2%
TOTAL COMMON FUND SECURITIES	$ 123,926		$ 113,904	
Total Canadian Investments	88,475	71%	83,843	73%
Total Foreign Investments	35,451	29%	30,061	27%
TOTAL COMMON FUND SECURITIES	$ 123,926		$ 113,904	

*All Investments held are Canadian

PUBLIC GUARDIAN AND TRUSTEE OF SASKATCHEWAN
ESTATES AND TRUSTS UNDER ADMINISTRATION
INDIVIDUAL TRUST ASSETS
FOR THE PERIOD ENDED MARCH 31, **SCHEDULE 2**

(in 000's)

	2006	2005
Accounts Receivable	$ 2,565	$ 2,521
Commodities	152	119
Individual Investments	8,517	6,882
Personal Property and Insurance	2,871	2,559
Real Estate	8,338	8,283
Total Individual Trust Assets	$ 22,443	$ 20,364